

Message Text

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EO 11652: N/A

TAGS: EFIN, PN

SUBJ: PANAMA INITIATIVE TO ESTABLISH INTERNATIONAL
REINSURANCE CENTER

REF: STATE 170939

1. ENCOURAGED BY ITS SUCCESS IN FOSTERING THE GROWTH OF A BANKING CENTER AND CONCERNED OVER BALANCE OF PAYMENTS IMPACT OF LARGE AND GROWING REINSURANCE PREMIUM OUTFLOW, THE GOVERNMENT OF PANAMA (GOP) HAS EMBARKED ON CREATION OF A REINSURANCE CENTER IN PANAMA. GOP AND PANAMA INSURANCE ASSOCIATION (PIA) JOINTLY SPONSORED JULY 24 TO 26 A FORUM TO WHICH FOREIGN AND DOMESTIC INSURANCE COMPANIES AND EXPERTS INVITED FOR DISCUSSION OF INSTITUTIONAL, LEGAL, FISCAL AND OTHER ASPECTS OF SUCH AN UNDERTAKING.

2. DRAFT REINSURANCE LAW RECENTLY PREPARED BY GOP AND PIA ALSO DISCUSSED. BECAUSE IT WAS FOUND FAULTY IN SOME AREAS, DRAFT IS UNDERGOING SUBSTANTIAL REVISION. COPIES OF DRAFT LAW BEING AIRPOUCHED TO STATE AND USDOC.

3. FORUM ACKNOWLEDGED THAT GEOGRAPHIC, COMMUNICATIONS, MONETARY
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AND LEGAL FACTORS FAVOR ESTABLISHMENT REINSURANCE CENTER, BUT CONCLUDED THAT IT SHOULD BE PRECEDED BY THOROUGH STUDY AND CARE-

FUL PLANNING.

4. OF 27 INSURANCE COMPANIES OPERATING IN PANAMA, 15 ARE FOREIGN. OF LATTER, ONE IS ITALIAN AND REMAINDER U S COMPANIES. CONTINENTAL INSURANCE CORP., ONE OF ABOVE U S FIRMS, ALSO ONE OF FOUR ENTITIES HAVING LOCALLY-ESTABLISHED RE-INSURANCE OPERATIONS. OTHERS ARE SKANDIA CORPORATION (SWEDEN), NUEVO MUNDO (COLOMBIA) AND A LATIN-AMERICAN REINSURANCE POOL (OF UNDERWRITING AGENTS). ONLY NOMINAL AMOUNT OF 1973 \$10.8 MILLION REINSURANCE PREMIUMS PAID TO THESE LOCAL FIRMS. OVER \$10 MILLION PAID TO FOREIGN REINSURORS.

COMMENT: WHILE GROWTH OF REINSURANCE MARKET IN PANAMA COULD CAPTURE SIGNIFICANT PART OF LOCAL AND OFFSHORE REINSURANCE BUSINESS, AS WELL AS REDUCE PRESENT PREMIUM OUTFLOW FROM PANAMA, IT MIGHT ALSO STIMULATE GROWTH OF OVERALL VOLUME OF INSURANCE AND REINSURANCE BUSINESS IN REGION. LATTER PROSPECT ALLUDED TO IN INAUGURAL ADDRESS TO FORUM BY COMMERCE MINISTER MANFREDO AND EMERGED IN DISCUSSIONS DURING COURSE OF SUBSEQUENT MEETINGS. MANFREDO ALSO CITED DESIRABLE COMPLEMENTARY ASPECTS OF PARALLEL GROWTH OF REINSURANCE AND BANKING CENTER SERVICES WHICH WOULD FACILITATE EXPANSION OF TRADE AND INVESTMENT IN REGION.

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